

## The Jersey House Price Index

### First quarter of 2006

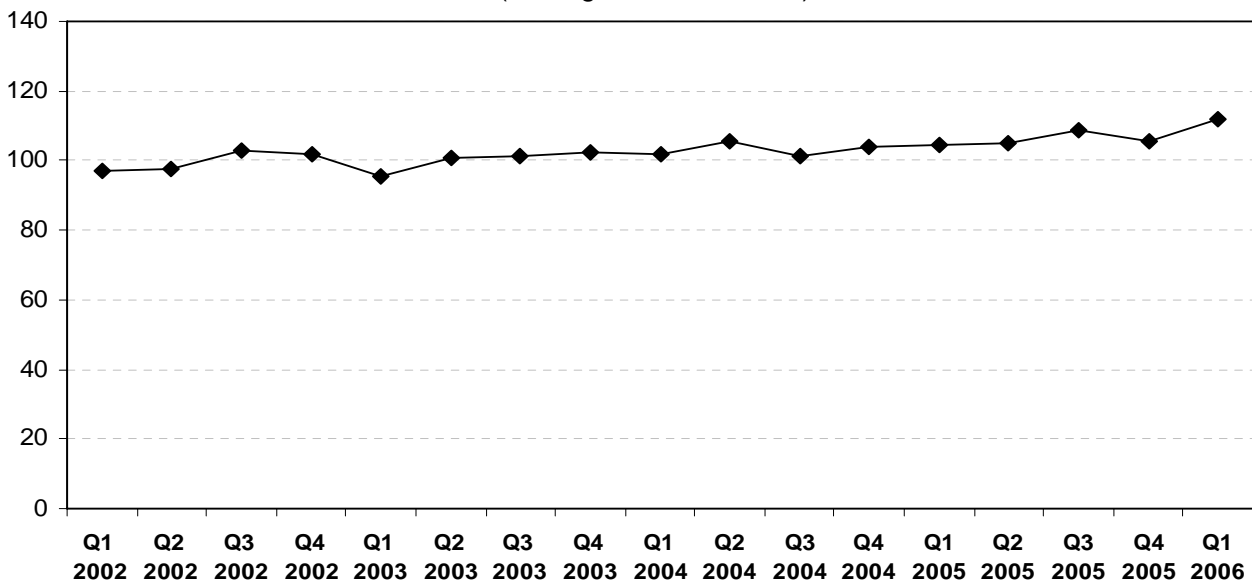
#### Headlines

- the average price of dwellings sold in Jersey in Q1 2006 increased by 7% compared to Q1 2005 and represented a rise of 6% on the average price for 2005;
- the average price of dwellings sold in Q1 2006 was £355,000;
- on a quarterly basis, the average dwelling price increased by about 6% between the fourth quarter of 2005 and the first quarter of 2006;
- turnover was slightly down on the previous quarter but at a similar level to that seen in recent first quarters.

#### Overall mix-adjusted Index

The Jersey House Price Index measures the combined average price of 1- and 2-bedroom flats and 2-, 3- and 4-bedroom houses<sup>1</sup>.

**Figure 1a - Jersey House Price Index**  
(Average for 2002 = 100)



In considering house prices, longer term analysis is more informative than looking at movements between specific quarters, which can be influenced by a range of factors. Figure 1a shows that the mix-adjusted average price of dwellings in Jersey, as measured by the Jersey House Price Index, was essentially stable during 2002 and 2003 and then underwent a small rate of increase of around 3% per annum in 2004 and 2005.

The mix-adjusted average price for the latest quarter, Q1 2006, was 7% higher than that recorded for Q1 2005 (corresponding to more than £20,000). Further data points will be required in order to determine whether this represents the start of a period of an increased rate of growth in prices. However, against the annual average for 2005 this represents an increase of 6%.

<sup>1</sup> A full description of the index and methodology is given in the Notes.

On a **quarterly** basis, between Q4 2005 and Q1 2006, the Jersey House Price Index increased by 6%. This represents the largest quarterly increase seen since the introduction of the new index in 2002, although there have been quarterly decreases of a similar magnitude.

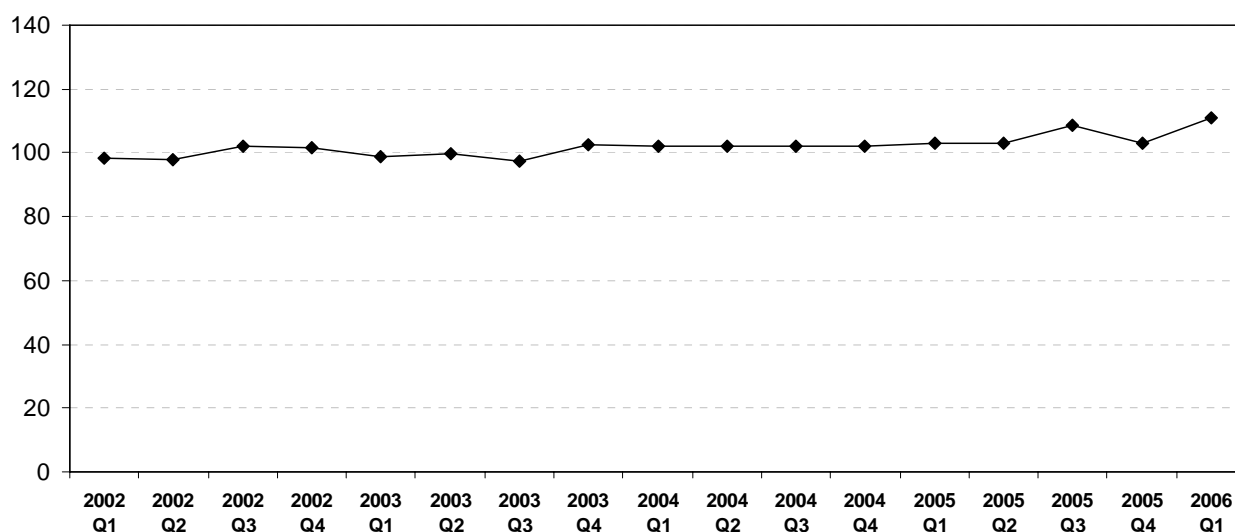
**Table 1: Mix-adjusted average dwelling price and Jersey House Price Index**

	<b>Period</b>	<b>Average price (£,000)</b>	<b>Index (2002=100)</b>
<b>2002</b>	Q1	309	97.3
	Q2	310	97.6
	Q3	327	103.1
	Q4	324	102.0
<b>2003</b>	Q1	304	95.7
	Q2	319	100.5
	Q3	322	101.3
	Q4	325	102.5
<b>2004</b>	Q1	323	101.7
	Q2	335	105.7
	Q3	322	101.5
	Q4	330	103.9
<b>2005</b>	Q1	331	104.3
	Q2	334	105.2
	Q3	345	108.8
	Q4	335	105.7
<b>2006</b>	Q1	355	111.8

*Prices are rounded to the nearest £1,000;*

The general stability in price of the majority of the Jersey housing market between 2002 and 2004 is indicated by Figure 1b, which shows the House Price Index calculated *excluding the more volatile category of 4-bedroom houses*. On this basis, the latest quarter exhibited a relatively large increase (of about 6%) compared to the average for calendar 2005 and similar to that seen for the full mix-adjusted average price.

**Figure 1b - Jersey House Price Index *excluding 4-bedroom properties***  
(average for 2002 = 100)



### Individual property types

The mean prices for the individual categories of dwelling are shown in Table 2 and Figure 2.

**Table 2: Mean prices (£,000) for individual property types.**

Period	Flats		Houses		
	<u>1-bed</u>	<u>2-bed</u>	<u>2-bed</u>	<u>3-bed</u>	<u>4-bed</u>
<b>2002</b> Q1	166	213	265	332	416
Q2	160	268	268	314	432
Q3	160	259	284	332	474
Q4	137	242	300	333	459
<b>2003</b> Q1	156	216	285	328	380
Q2	150	222	278	333	461
Q3	145	213	270	328	510
Q4	173	237	266	345	454
<b>2004</b> Q1	166	219	257	351	448
Q2	169	256	258	340	526
Q3	153	230	266	347	446
Q4	152	236	274	343	489
<b>2005</b> Q1	121	224	264	364	458
Q2	161	236	284	346	477
Q3	164	250	298	366	467
Q4	161	229	284	348	484
<b>2006</b> Q1	163	259	303	375	486

Notwithstanding a degree of volatility which can occur quarter-on-quarter in the mean prices of individual property types, some themes are apparent from the data:

### 1-bedroom flats

This category of property remained essentially stable in price during the latest quarter, with the mean price (£163,000) being similar to that seen in the previous three quarters.

### 2-bedroom flats

The mean price recorded for the latest quarter (£259,000) was almost £25,000 above the average seen in both 2004 and 2005, and is the highest quarterly figure for almost two years.

### 2-bedroom houses

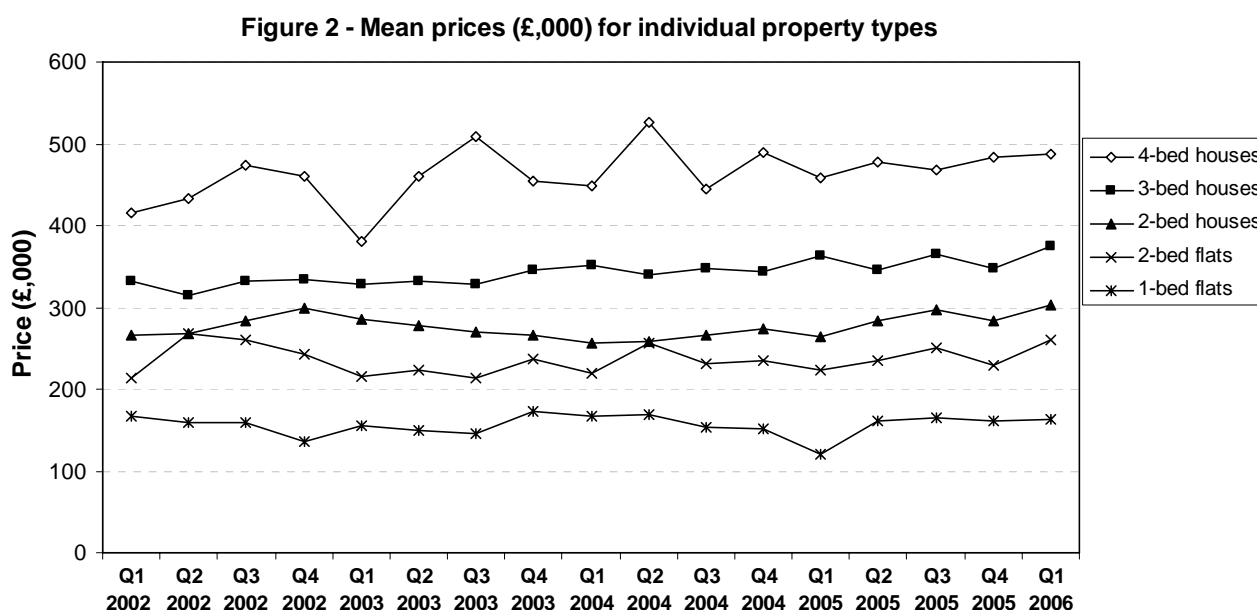
The trend in price for this category has been upward since early 2004, and Q1 2006 represented the first occasion that the mean price went above £300,000.

### 3-bedroom houses

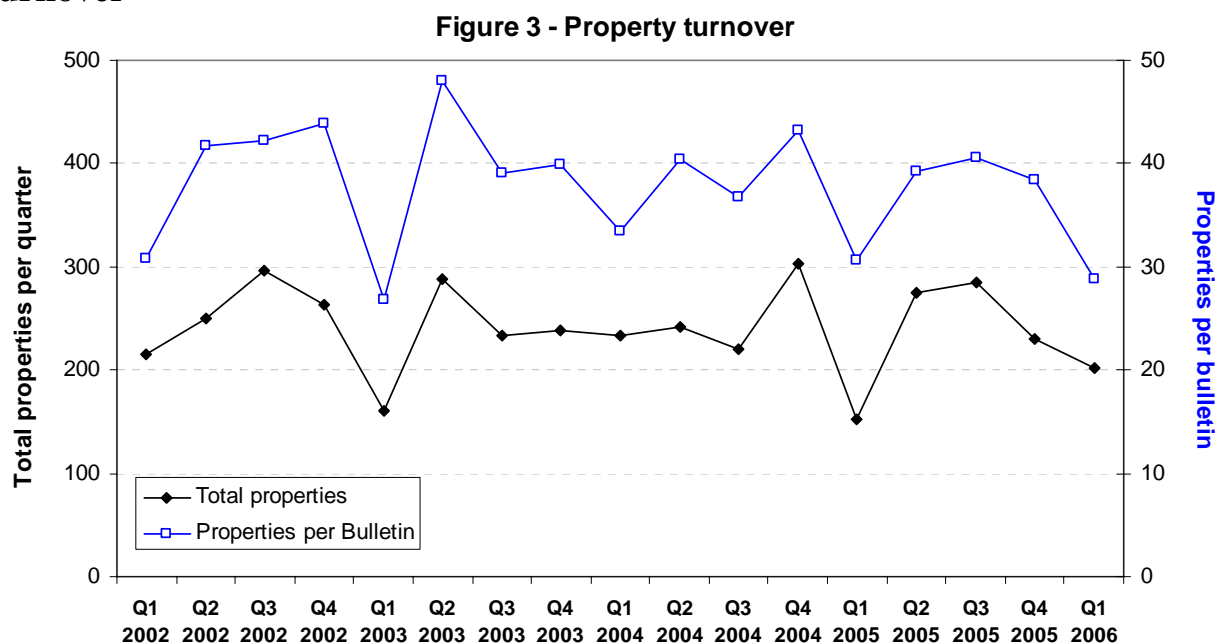
This category of property accounts for almost half of all residential transactions in Jersey. Following a gradual rise in prices from 2002 to 2004, a degree of volatility was observed in 2005 though the trend was still upward at a rate of about 3% per annum. The upward trend has continued in Q1 2006 with the mean price (£375,000) being the highest since the introduction of the new Jersey House Price Index in 2002 and about 5% higher (almost £20,000) than the average for calendar 2005.

### 4-bedroom houses

Traditionally this has been the most volatile category, being somewhat sensitive to the broad range of characteristics encompassed within this size of property. The mean price recorded for Q1 2006 (£486,000) was similar to that of the previous quarter. Nevertheless the trend in price has been broadly upward since 2002.



## Turnover



**Table 3: Number of dwellings included in the House Price Index, by property type, and number of Jersey Property Bulletins published (in which transactions are recorded).**

Period	Flats		Houses			Total	Property Bulletins published
	1-bed	2-bed	2-bed	3-bed	4-bed		
<b>2002</b> Q1	23	22	30	106	34	215	7
Q2	12	36	42	120	40	250	6
Q3	20	36	57	139	44	296	7
Q4	16	33	34	129	51	263	6
<b>2003</b> Q1	16	22	20	70	33	161	6
Q2	22	25	48	130	63	288	6
Q3	12	28	47	96	51	234	6
Q4	21	30	31	108	49	239	6
<b>2004</b> Q1	16	31	43	98	46	234	7
Q2	21	27	44	109	41	242	6
Q3	20	18	41	101	41	221	6
Q4	28	26	47	136	66	303	7
<b>2005</b> Q1	11	20	19	83	20	153	5
Q2	20	26	47	127	55	275	7
Q3	10	18	44	155	57	284	7
Q4	17	29	35	101	48	230	6
<b>2006</b> Q1	11	25	31	92	43	202	7

202 eligible properties (see Notes) were reported as being sold in Q1 2006. However, some interpretation is required in making comparisons due to variations in the frequency of sittings of the Royal Court and hence in the number of Jersey Property Bulletins published per quarter. As

Figure 3 shows, turnover in the latest quarter was somewhat below that of the previous three quarters, in terms of the total number of properties sold in the quarter and also the number of properties recorded per Bulletin. However, turnover in Q1 2006 was at a similar level to that in the first quarters of the preceding four years.

## First Time Buyers

There are a number of sites in Jersey which have had dwellings built exclusively to be available at a more affordable price to First Time Buyers (FTB). Due to the relatively small number of such transactions taking place in a given quarterly period, FTB properties are presented in Table 4 on an annual basis and only at a combined flat and house level (see Note 6). An initial estimate for 2006 will be published in the Q2 report.

**Table 4: FTB properties, 2002-2005.**

	2002	2003	2004	2005
<b><u>Flats</u></b>				
Mean price	160	186	215	201
Transactions	59	52	23	8
Principal sites	Woodville Apartments	Albert Place	Albert Place	Various + re-sale
<b><u>Houses</u></b>				
Mean price	222	239	292	270
Transactions	44	18	11	129
Principal sites	Clos Le Breton	Les Serres	Various + re-sale	Various + re-sale <sup>2</sup>

The fluctuations in the annual mean price of FTB properties seen for both types of property may be ascribed to two factors: firstly, there is a relatively small number of transactions of such properties taking place each year; secondly specific FTB sites vary somewhat in designated price and since the majority of each site is made available to purchase at a similar time, the annual figures reflect which site has come onto the market in a given year. For example, flats in Woodville Apartments in 2002 were available at a lower price, generally, than those in Albert Place in 2003 and 2004.

## Comparison with the Guernsey, the Isle of Man and the UK

### Guernsey

Guernsey publishes house price information on a quarterly basis. The figure published for the Guernsey “Local” market is the mean of transaction prices excluding the top and bottom 2½ %. This mean is not “mix-adjusted”, i.e. it does not take into account the particular mix of properties sold in each period, and as such is not strictly comparable with the Jersey methodology.

The latest period for Guernsey<sup>3</sup>, the first quarter of 2006, recorded a mean price of £319,000 which was 11% higher than Q1 2005 and 9% higher than the annual average for 2005.

<sup>2</sup> Properties on the La Cambrette Site have been excluded from the First Time Buyers analysis. This site constituted refurbished properties sold by the Housing Department to States tenants at a price lower than private development sales, and is thus not reflective of the First Time Buyers’ market.

<sup>3</sup> Guernsey Policy and Research Unit: Guernsey House Price Index 1981-2006.

## Isle of Man

The most up-to-date published information on dwelling prices in the Isle of Man<sup>4</sup> is for calendar year 2004; the simple average (i.e. not mix-adjusted) dwelling price was £217,000, representing an increase of 8% on 2003.

## United Kingdom

Mix-adjusted average prices of dwellings sold in the last five quarters in Jersey and the UK (overall and by region)<sup>5</sup> are shown in Table 5.

**Table 5: Mix-adjusted average price of dwellings sold in Jersey and the UK.**

	<b>Mix-adjusted average price £,000</b>				
	<b>Q1 2005</b>	<b>Q2 2005</b>	<b>Q3 2005</b>	<b>Q4 2005</b>	<b>Q1 2006</b>
<b>Jersey</b>	<b>331</b>	<b>334</b>	<b>345</b>	<b>335</b>	<b>355</b>
<b>UK</b>	<b>181</b>	<b>183</b>	<b>186</b>	<b>186</b>	<b>185</b>
<b>England</b>	<b>191</b>	<b>192</b>	<b>195</b>	<b>194</b>	<b>193</b>
<b>Wales</b>	<b>142</b>	<b>145</b>	<b>148</b>	<b>149</b>	<b>148</b>
<b>Northern Ireland</b>	<b>123</b>	<b>125</b>	<b>134</b>	<b>136</b>	<b>140</b>
<b>Scotland</b>	<b>117</b>	<b>125</b>	<b>128</b>	<b>127</b>	<b>130</b>
Greater London	263	265	270	267	269
South East (excl. London)	232	232	235	233	232
East	204	203	206	204	204
South West	200	197	200	200	200
West Midlands	161	163	166	165	165
East Midlands	158	158	160	160	158
North West	142	145	149	149	147
Yorkshire & Humber	137	142	146	147	147
North East	128	130	134	135	134

*Prices are rounded to the nearest £1,000.*

The average (mix-adjusted) price of dwellings sold in Jersey during the first quarter of 2006 was about 90% higher than that in the UK as a whole and about a third higher than in Greater London.

In Q1 2006 annual house price inflation in the UK was about 3½%, compared to Q1 2005. The rate of increase for Greater London was also about 3½%, whilst Northern Ireland and Scotland saw larger increases.

<sup>4</sup> Isle of Man, Digest of Economic and Social Statistics 2005; house price data for 2004 are provisional.

<sup>5</sup> Figures for the UK are derived from: Office of the Deputy Prime Minister, Release HPI-05-06. These UK figures are based on mortgaged purchases, and hence do not include purely cash purchases; the Jersey figures include both mortgaged and cash purchases.

## Notes

1. The principal data source for the Jersey House Price Index is the Jersey Property Bulletin, supplemented by information on type and size of property provided by the States of Jersey Housing Department.
2. Excluded properties:  
Derelict buildings, commercial properties with associated residential units, apparent intra-family transactions and properties designated by the States of Jersey solely for purchase by first-time buyers are excluded from the final data set from which the average prices and the Index are determined. Furthermore, due to the small numbers of properties and high variability of prices, the following categories of dwelling are also excluded: bedsits; 3 or more bedroom flats; 1- and 5 or more bedroom houses; and multi-dwelling properties. New dwellings, other than those removed by the above exclusion criteria, are implicitly included in the final data set.
3. Share transfers:  
Sales occurring via share transfer are not processed through the Royal Court and hence do not appear in the Jersey Property Bulletin. Share transfer transactions are estimated to have constituted about three-fifths of all sales of flats since Q1 2002, with the proportion varying between half and two-thirds at the quarterly level as new developments come onto the market.

Since the transaction prices of properties purchased by share transfer are not readily available such properties are currently not included in the compilation of the Jersey House Price Index. However, as such properties are a part of the Jersey housing market, the level and change in price of this element of the market are governed by economic forces in the same way as the purchase of comparable properties which proceed via the Royal Court. Therefore, the coverage of flat purchases recorded through the latter process, and used in this analysis, provides a robust indicator of the state of the overall market for flats in Jersey. Nevertheless, the Statistics Unit is continuing to work with the Housing Department and the Treasury, and other potential sources, in order to investigate the possibility of including share transfer properties in the future.

4. The average price of dwellings is calculated by weighting together the average price for each of the following five categories: 1- and 2-bedroom flats; 2-, 3- and 4-bedroom houses (“houses” includes houses and bungalows). The resulting mix-adjusted average dwelling price (see Note 5) is converted into the Jersey House Price Index (based to 100 for calendar year 2002).

The margin of uncertainty on any quarter’s average price is  $\pm$  £10,000; that on the difference between the average prices for any two quarters is  $\pm$  £14,000. The margin of uncertainty on any quarter’s index is  $\pm$  3 percentage points.

5. Mix-adjustment  
In order that the average price in a given period is independent of the particular “mix” of properties sold in that period, a “mix-adjusted” average is calculated for each period by weighting each property type by a constant proportion. The mix-adjusted average dwelling price is an indicator of the overall price scale of the Jersey housing market. However, the price levels of the individual property types are more informative, particularly when viewed from a long term perspective.

Prior to the first quarter of 2005, the weights for calculation of the mix-adjusted averages were derived from the proportion that each property type accounted for of all transactions in calendar year 2002. Revised property-type weights were applied in Q1 2005, derived from the corresponding full preceding three year period. This approach is that recommended by the House Price Working Group for the production of house price statistics in the UK by the Office



of the Deputy Prime Minister. The slight changes in weights produced no material discontinuity in the Index series.

<b>Property type</b>	<b>Weight</b>
1-bedroom flats	0.077
2-bedroom flats	0.113
2-bedroom houses	0.164
3-bedroom houses	0.456
4-bedroom houses	0.190

6. First Time Buyers:

Almost all First Time Buyer properties are included in the analysis underpinning Table 4. However, in a small number of cases the only data available is the “plot” price of a property; such transactions are not included in the figures shown in the table.

*Statistics Unit*

*17 May 2006*